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NPIC/TSSG

MEMORANDUM FOR: Executive Director Comptroller
THROUGH : Deputy Director for Intelligence
SUBJECT : Overrun condition of FY 1967 R&D Contracts in NPIC
REFERENCE : Project Officer's Manual, May 1968, III-3

1. Three R&D contracts negotiated in FY 1967 are now in an overrun status and will require agency funding from past year funds in order to continue. Normally, NPIC would utilize its own Office allotments to provide the funding; however, funds are no longer available from FY 1967 allotments at NPIC. The referenced document states that when appropriate fiscal year funds are not available for overrun funding in Office allotments, a memorandum request should be addressed to the Executive Director Comptroller for such funds.

2. NPIC has prepared individual memorandum requests for the contracts for consideration of overrun payments. Background information is provided in the following paragraphs for each contract as justification for requesting the additional funding.

3. Wide Field High Power Anamorphic Stereoviewer. Contractor:
Amount of

Overrun:

The overrun is caused by under-estimation by the contractor of the costs of the optical design which extends the state-of-the-art so far that it has been extremely difficult to reliably predict costs. NPIC technical personnel concur that this is a reasonable cause of overrun.

a consultant and world renowned optical expert, had predicted that the effort would be extremely difficult to perform but recommended we contract with to build this first microstereoscope ever to be exclusively designed for the photointerpreter.

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At the beginning of the contract the risk involved was high, but the pay-off would also be great if successful. As the work progressed, the risk became less and less. NPIC strongly believes this project should continue because: (a) success is now likely; (b) the instrument is designed to accommodate photograph systems products of the future; and (c) the viewer will be versatile--able to handle all current photographic materials as well as those of the future.

The great difficulty in developing this equipment makes it nearly impossible to state that there would be no further overruns. No one has yet been successful in extending the field of view of the magnitude of this viewer and at the same time maintaining a flat field. Recent optical design techniques and advanced computer methods have been developed which now permit industry to attempt the advance in this area. If successful, the P.I. will see about four times the area of the latest model viewers. It is our opinion that he will be able to save time in viewing and will produce a far better product more easily.

This contract will run out of money after 1 September. Action to continue the contract should be taken before that time in order to prevent any additional costs due to a stop-work condition.

4. Image Comparison Microstereoscope. Contractor: [REDACTED]

Original cost of contract: [REDACTED] Amount of Overrun: [REDACTED]

This overrun was caused by complexities in the original design and increased overhead rates. NPIC does not believe that the many problems of development could have been predicted at the outset of the contract; they were revealed during the design phase. As the development proceeded, the cost of the overall design increased as better appreciation of the highly complicated experimental device was realized. This increased cost in development amounts to about 75% of the overrun. About 25% was due to overhead rate changes. TSSG believes the overrun is justifiable in view of the multiple problem areas that had to be solved which were not anticipated. In FY 1967 NPIC contracted with [REDACTED]

[REDACTED] for the development of an Image Comparison Microstereoscope which would enable a photointerpreter to rapidly compare old and new stereo images to detect change. It will have the additional capability of allowing Bi-color imagery to be viewed in stereo with a high resolution optical system. Essentially, the instrument is to be used to view four different images of the same target in order to assess changes on the target over a period of time.

The development effort is divided into two phases: Phase I (System Analysis, Design Analysis, and a Design Plan); and Phase II (Final Design and Fabrication). Phase I has been successfully concluded with the delivery of a mockup and a technical report. These have been evaluated, determined to be satisfactory, and we are now ready to initiate Phase II (Final design and Fabrication of the prototype instrument).

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5. Automatic Viewgraph Generator. Contractor: [redacted]
 Original cost of contract: [redacted] Amount of Overrun: [redacted]
 This overrun is caused by deficient management on the part of [redacted]
 In FY 1967 NPIC contracted with [redacted] to fabricate two
 Automatic Viewgraph Generators for [redacted] On 24 August 1967 NPIC
 representatives were informed by the company that there would be an
 overrun of approximately [redacted] to complete two Viewgraph Generators
 or [redacted] to complete one. Internal NPIC approval was obtained during
 May 1968 to complete the one Viewgraph Generator for an overrun of [redacted]

On 29 May 1968 [redacted] Office of Logistics Contracting
 Officer for NPIC, visited [redacted] to discuss the resumption of work on the
 contract. He was informed that a recent analysis of the project in-
 dicated an additional [redacted] (overrun) would now
 be required to complete one Viewgraph Generator. They stated that
 additional labor hours would be required above and beyond those an-
 ticipated previously. On 19 June an official of [redacted] visited NPIC and
 presented further revised information that estimated an additional
 [redacted] over that already approved (instead of the [redacted] estimated on
 28 May). This brought the total overrun to [redacted]

The reasons stated by [redacted] for the vacillations of the amount of
 the overrun were:

a. The first estimate of the cost to complete [redacted]
 was not correct and was so assessed by the new management at
 [redacted] The estimate had been made by the old regime and did
 not take into consideration realistic costs and unanticipated
 actions. According [redacted] there would surely have been
 another overrun had the contract been negotiated for only
 [redacted]

b. The contract had been in a stop-work condition
 since September 1967. All the personnel involved were re-
 moved from the project. With renewed activity, only some
 of the original technical people would be used and they
 needed to become familiar, once again, with the project.
 In addition, other new personnel would have to be called
 in to the job having no previous experience on the project.

c. [redacted] requires more time for engineering supervision
 than had originally been estimated in order to complete
 development and "debugging."

NPIC and the Office of Logistics have been concerned about the
 magnitude of the percentage of this [redacted] overrun and the history of other
 [redacted] overruns. Despite the relative size of the overrun, and the serious
 management problems at [redacted] we believe that the additional cost of
 [redacted] should be paid to move forward with the project. The require-
 ments for the equipment have been restated within NPIC. The Viewgraph

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Generator will reduce the number of man hours of production of materials as well as reduce the time interval between the request and product delivery.

25X1 6. The total of the FY 1967 funds required for payment of these overruns is . Some adjustments in this amount may take place during negotiations. This amount will be requested from Agency funds for FY 1967.

7. NPIC is acutely aware of the need for control, management, and administration of contracts. Our technical monitors have been instructed to be particularly alert to inconsistencies and changes in the development. A full working rapport and team relationship is established between the Office of Logistics and NPIC representatives in order to insure efficient coordination on all R&D contracts at NPIC.

ARTHUR C. LUNDAHL

Director

National Photographic Interpretation Center

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